

Labour Force Jobs Bonanza

- Employment jumped 44.0k in August, following a 4.3k decline in the previous month. Notwithstanding some volatility, the buoyant conditions in the labour market over the past couple of years are continuing. There has been an average of nearly 30k jobs per month since the beginning of 2017.
- Adding further shine to today's report was the strength in full-time jobs. Full-time work added 33.7k in August, and has seen gains of over 20k for three consecutive months.
- The unemployment rate was steady at 5.3% in August, a six-year low. A lift in the participation rate from 65.6% in July to 65.7% in August prevented the unemployment rate from falling in the month.
- Unemployment rates in NSW (4.7%) and Victoria (4.8%) are standing out as being the lowest across States. Both fell in August, while Victoria's unemployment rate was the lowest in seven years.
- The near-term outlook continues to be promising given the strong pace of growth in the domestic economy. Other leading indicators, including job ads and job vacancies and reports of above-average business conditions suggest that jobs will continue to grow at a solid pace. It suggests that the unemployment rate is likely to fall further.



Employment jumped 44.0k in August, beating the consensus expectation for an 18.0k rise. The strong gain in August should be taken into the context of a 4.3k decline in the previous month. Nonetheless, looking through recent volatility, the labour market is in good shape. Over the last three months, employment gains have averaged 33.5k per month.

Adding further shine to today’s report was the strength in full-time jobs. Full-time work added 33.7k in August, and has seen gains of over 20k for three consecutive months. By comparison, part-time jobs added 10.2k in the month. On an annual basis, full-time job growth is continuing to also outpace part-time work. Full-time jobs rose 202.1k in the year to August, while part time jobs added 104.3k jobs in the year.

The strength of the job market is consistent with an economy growing at above potential and above-average conditions in the business sector.

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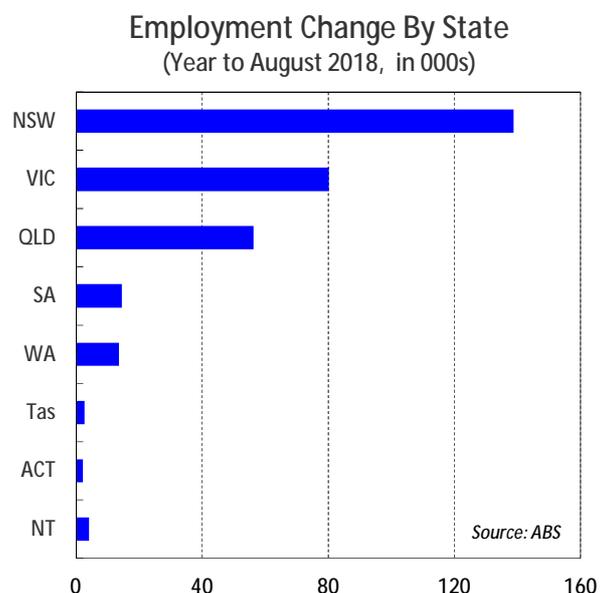
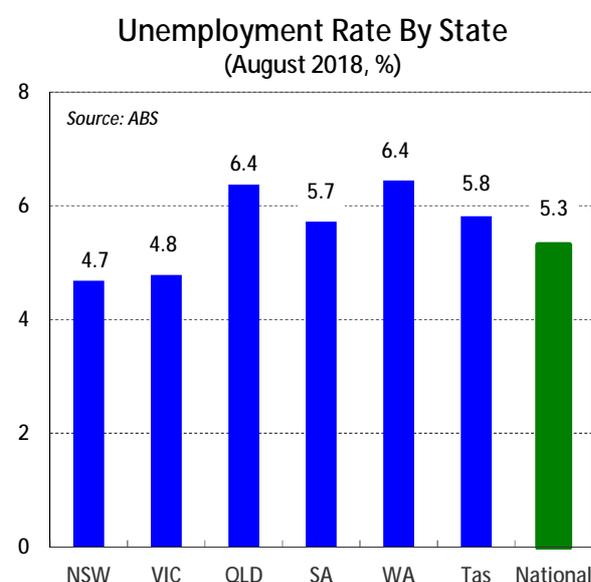
States and territories

The bulk of job gains came from NSW (43.2k) in August. There were smaller gains in Queensland (11.9k) and Western Australia (4.2k). Jobs however, declined in South Australia (-8.4k), Victoria (-1.6k) and Tasmania (-0.3k).

On an annual basis, NSW was an outlier, adding 150.8k jobs in the year to August. There were also healthy gains in the year in Victoria (72.9k), Queensland (47.8k), Western Australia (20.0k) and more modest gains in South Australia (5.6k) and Tasmania (2.5k).

Unemployment rates in NSW (4.7%) and Victoria (4.8%) are standing out as being the lowest across States. Both fell in August, while Victoria’s unemployment rate was the lowest in seven years. Unemployment rates in other States were relatively high. Queensland and Western Australia had the highest unemployment rates at 6.4%, while Tasmania’s was at 5.8% and South Australia’s stood at 5.7%.

On a trend basis, unemployment rates in the ACT and the Northern Territory were steady, at 3.7% and 4.0%, respectively.



Outlook

Notwithstanding some volatility, the buoyant conditions in the labour market over the past couple of years are continuing. There has been an average of nearly 30k jobs per months since the beginning of 2017.

The near-term outlook continues to be promising given the strong pace of growth in the domestic economy. Other leading indicators, including job ads, job vacancies and reports of above-average business conditions suggest that jobs will continue to grow at a solid pace.

It suggests that the unemployment rate is likely to fall further, and we continue to believe there is a reasonable risk that the unemployment rate will hit 5% before 2020, when the RBA expects. Nonetheless, there is also the risk that global trade tensions will further harm business confidence and hiring.

We however remain sceptical that wage growth will pick up significantly anytime soon, even with the unemployment rate approaching 5.0%. There is the risk that unemployment rate at full-employment is lower than 5.0%. The experience from overseas, suggests technological change and competition could continue to prevent firms from lifting wages substantially.

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